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Biweekly Narrative Seafood Report - Korea

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1. Korean Economy

Economic sentiment unstable: Koreans' economic sentiment has become so vulnerable after the 1997-98 financial crisis that the slightest sign of negativity sets off alarms, leading businesses to freeze investments and, in turn, slowing down the nation's growth, a recent study showed.

According to a report by the Korea Chamber of Commerce and Industry on the effect economic sentiment has on the real economy, this Catch-22 cycle is bound to hurt the Korean economy, as investment will be inconsistent, less frequent and smaller in size.

Thus, the chamber argued that one of the most urgent priorities of the government is to calm the nervous economic sentiment to encourage businesses to expand, thereby leading Korea to faster growth.

The study proved the strong relation between economic sentiment and the real financial condition by analyzing the business survey index records of the chamber and the Bank of Korea as well as the central bank's statistics on the consumer sentiment index.

In the case of the chamber's BSI figures, the standard deviation that reflects the amplitude of economic sentiment was 16.6 between 1990 and 1996, but the figure rose to 24.1 percent in the years between 1997 and 2003. The BOK's CSI also showed that the amplitude stretched from 13.3 between 1995 and 1996 to 33.2 in the years between 1997 and 2003.

"The wider amplitude in the years following the financial crisis shows that Korean businesses have become very vulnerable to economic conditions after the emergency. When they see the first signs of an economic slowdown, they fear the coming of another disaster," said Park Hyung-seo of KCCI's Economic Research Team.

The study also noted that the relative deviation between the survey indexes and public spending and facility investment were high, coming in the range of 0.72-0.75, while the

figure for exports and construction investment were between minus 0.04 and 0.18, proving that depressed economic sentiment also lowers facility investment, thus hurting the real economy.

The chamber concluded based on these findings that the current economic slump is more the result of the super sensitivity of business sentiment than of real negative economic conditions.

"Though the nation's exports are strong and economic fundamentals sound, the pessimistic sentiment is tightly controlling consumer consumption and business investment, thus prolonging this economic slump," it explained in the report.

To solve this problem, the industry group argued that the current government should provide a stable social and political system, create a positive working environment for businesses, and design and implement consistent regulations.

(Source: September 18, 2003, the Korea Herald, Seoul, Korea)

Hyundai Center to Stay in Michigan: The U.S. state government of Michigan offered Hyundai Motor a tax cut worth US \$22 million over the next 12 years so that the largest Korean carmaker would not move its automotive technological research center to another state, sources have said.

Hyundai Motor announced Wednesday that it has scrapped an earlier plan to relocate the Michigan research center to Alabama and decided instead to build in 2005 a new technical center in Michigan, on an investment of US\$117 million. The current center, launched in 1986, has been researching technology related to environmental contamination prevention and to emissions tests.

Sources said the Korean firm decided not to move the technical center to Alabama, where the firm has been building a production plant on an investment of US\$1 billion, because of Michigan's drive to keep the center.

Hyundai said that it changed its mind because Michigan is the hub of the American auto industry and because the firm found that relocating research staff would be very difficult.

(Source: September 17, 2003, the Chosun Daily, Seoul, Korea)

2. Fisheries News in Korea

MOMAF, Mapped out Relief Measures for Busan Port:

The Ministry of Maritime Affairs and Fisheries announced its relief measures last Saturday against the damage at Busan Port, pounded by the powerful typhoon Maemi.

The Ministry plans to concentrate its all administrative efforts on the work to

repair or replace the damaged equipment at Busan Port by encouraging shipping companies to use other container depots such as Singamman and Gwangyang port.

The Ministry gave a temporary permission to foreign shipping companies to transship container cargos of Gwangyang and Busan ports for the time being. Foreign shipping companies are also allowed to freely adjust operation schedules concerning the port-operating companies.

Meanwhile, officials at the two depots are also looking for opportunities to buy used container cranes from other countries or extra containers made by foreign manufacturers through having intense negotiations with Samsung, Hyundai, and Hanjin heavy industries.

Choi lark jeong, Vice Minister of Maritime Affairs and Fisheries, visited Busan port to have a thorough grasp of the damage and discussed over relief measures with the concerned personnel.

An official said that it would take considerable time to remove the destroyed cranes and a year to make the replacements in Singamman container depot.

The most ravaged areas within the port are the Jaseongdae and Singamman container depots. Of Jaseongdae's 12 container cranes, two were totaled and three derailed.

Officials say it will take workers about 45 days just to remove the destroyed cranes, and another 45 days to thoroughly inspect the derailed cranes and refit them in their tracks. Also, it will take a year from when the order goes in to make the replacement cranes. So Jaseongdae will be crippled for at least a year.

As for Singamman depot, six of its seven cranes were demolished, and will take the same amount of work and time to replace as at Jaseongdae.

The one crane still standing is operative, but it cannot accommodate ships larger

than 50,000 deadweight tons.

The ministry said it would redirect three cranes now being manufactured for Gwangyang Port to be used at Singamman, to help normalize operations at Busan Port.

(Source: September 17, 2003, the Ministry of Maritime Affairs and Fisheries, Republic of Korea)

Korea, Japan to Cooperate on Fishery Issues:

Korea and Japan agreed to cooperate in dealing with fisheries-related issues at future WTO discussions, the Maritime Affairs Ministry said.

Korean Maritime Minister Huh Sung-kwan and Japan's Vice-Minister of Agriculture, Forestry and Fisheries Toyooki Ota discussed various trade issues including tariffs and subsidies for fishermen in Seoul Saturday.

The two officials agreed on close cooperation in order to persuade the United States, Canada, Norway and other countries with firm stances on state subsidies, to lower their tariffs, the ministry officials said.

(Source: September 8, 2003, the Ministry of Maritime Affairs and Fisheries, Republic of Korea)

3. The Update on Wholesale Fisheries Market in Korea

Weekly Trend of Noryangjin Wholesale Fisheries Market in Seoul **(August 27 – September 2, 2003)**

- **Very few local halibut were supplied to the market due to poor catch. Wholesale prices increased to W 40,000 per kg (\$15.50 / lb)**
- **As Korean Thanksgiving came closer (Sept 10 –12), the demand and prices for fish increased.**
- **Local blue crab was on the market as its non-fishing season is over.**
- **The prices for certain species, which are on high demand during the Korean Thanksgiving, has been stable.**

Recently (August 27 – September 2), the tone of the Noryangjin Wholesale Fisheries Market had been buoyant. Due to the bad weather, local catch was not that good during the above period, but more fishery products were brought to the market for the peak season of the incoming Korean Thanksgiving.

Live Wild Halibut – W 40,000 per kg for medium (\$15.50/lb)
W 52,000 per kg for high (\$20.18/lb)

Fresh Squid – Daily Supply: 100 tons
Price: W 12,000 per 12 fish (\$.85 per fish)

Fresh Blue Crab – Daily Supply: 1.5 tons
Price: 10,000 per kg for medium (\$3.88/lb)

* Note: 1) 1kg is approximate to 2.20 pounds
2) The exchange rate is 1USD = 1,171 KRW

(Source: Noryangjin Fisheries Wholesale Market, Seoul, Korea)